IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF IOWA CENTRAL DIVISION

MEDICAP PHARMACIES, INC. and)	
MEDIHEALTH SOLUTIONS, INC.,)		
)	
Plaintiffs,)	Civil No. 4:02-cv-10249
)	
VS.)	
)	
MERCK & CO., INC. AND MERCK-)	
MEDCO MANAGED CARE, L.L.C.,)	
)	ORDER
Defendants)	

I. BACKGROUND

Defendant, Merck & Co., Inc., acquired Medco Containment Services, Inc. in 1993. In 1995, Medco Containment Services, Inc. changed its name to Merck-Medco Managed Care, Inc. The name, Merck-Medco Managed Care, L.L.C. ("Merck-Medco"), was adopted in 1996. In January 2002, Merck & Co., Inc. announced plans to establish Merck-Medco as a separate, publicly traded company. The initial public offering was scheduled for mid-2002.

On April 17, 2002, Merck & Co., Inc. announced in its registration statement to the Securities and Exchange Commission that Merck-Medco was going to be named "MedcoHealth Solutions, Inc." Following this announcement, on April 30, 2002, plaintiffs, Medicap Pharmacies Inc. and Medihealth Solutions, Inc., (collectively "Medihealth") sent a letter to Merck-Medco demanding that the proposed name change not take place. Medihealth claimed that the proposed name change would infringe its

federally registered trademark, "Medihealth Solutions," which issued on February 19, 2002.

In its April 30, 2002 letter, Medihealth indicated it was prepared to enforce its trademark rights. It asked Merck-Medco to confirm within five days that it would not make the proposed name change. If Merck-Medco failed to so respond to the demand letter, Medihealth stated that it would immediately initiate the legal actions necessary to preserve its rights.

In a letter dated May 3, 2002, Merck-Medco acknowledged receipt of Medihealth's demand letter and stated that it was reviewing the issue raised by Medihealth. Then, on May 13, 2002, Merck-Medco filed a declaratory judgment action in the United States District Court for the District of New Jersey ("the New Jersey action"), captioned *Merck-Medco Managed Care, L.L.C. v. Medicap Pharmacies Inc. And Medihealth Solutions, Inc.*, No. 02-CV-2306. Merck-Medco sought a declaration that the mark "MedcoHealth Solutions," and any other marks using Medco and the terms "health" and "solutions" in that sequence, do not infringe on Medihealth's trademark rights. Merck-Medco also sought a declaration that it had not unfairly competed with Medihealth.

On May 29, 2002, Medihealth Solutions, Inc. and Medicap Pharmacies, Inc. filed the instant action in this Court ("the Iowa action") against Merck & Co., Inc. and Merck-Medco Managed Care, L.L.C. Medihealth claims that Merck-Medco's use of the name "MedcoHealth Solutions" constitutes trademark infringement and unfair competition.

On June 10, 2002, Medihealth filed a motion to dismiss, stay or transfer in the New Jersey action, contending that the United States District Court in the New Jersey action should abrogate the first-filed rule in favor of the Iowa action. On June 20, 2002, Merck & Co. and Merck-Medco filed the present motion seeking a stay of the Iowa action until resolution of MediHealth's motion to dismiss

in the New Jersey action.

II. APPLICABLE LAW AND DISCUSSION

Two actions are pending that involve the same substantive trademark infringement issue. The first filed action is in the District of New Jersey. The second filed action is in this Court. When parallel litigation is pending in separate courts, a court will determine which court has priority to hear the case by considering the "first-filed rule" and its exceptions. See Northwest Airlines, Inc., v. American Airlines, Inc., 989 F.2d 1002, 1006 (8th Cir. 1993). In a motion filed on June 10, 2002, Medihealth raised the "first-filed rule" issue with the district court in the New Jersey Action. The Iowa action cannot proceed without this Court also addressing the jurisdictional question involving the "first-filed rule." Doing so at this time would be unnecessarily duplicative and uneconomical. Therefore, pursuant to its inherent authority, the Court finds that a stay of the present action is appropriate pending resolution of the June 10, 2002 motion filed in the New Jersey action. See Webb v. R. Rowland & Co., Inc., 800 F.2d 803, 808 (8th Cir. 1986) (A court has the "inherent power to grant a stay in order to control its docket, conserve judicial resources, and provide for a just determination of the cases pending before it.") See also, Anheuser-Busch, Inc., v. Supreme Int'l Corp., 167 F.3d 417, 419 (8th Cir. 1999) (noting that in Supreme Int'l Corp. v. Anheuser-Busch, Inc., 972 F. Supp. 604, 608 (S.D. Fla. 1997), Florida district court granted motion to stay proceedings pending Missouri district court's decision to apply the first-filed rule, where Florida action was filed five days after the parallel Missouri action).

In their brief, Medicap and Medihealth argue that the "first-filed rule" should not be applied to

the disputes between them and Merck & Co., Inc. They contend that compelling circumstances warrant a finding that this Court has priority to hear the substantive claims in this case. MediCap and MediHealth have already submitted this very argument to the district court in the New Jersey action.

The New Jersey district court should have the opportunity to rule on the jurisdictional question before it.¹

III. CONCLUSION

The Court hereby stays the present action pending resolution of the June 10, 2002 motion filed in the New Jersey action.

IT IS SO ORDERED.

This 24th day of January, 2003.

Whited States District Court

¹ The Court's order today is not intended to suggest a particular outcome in the New Jersey action and does not reflect this Court's opinion on the applicability of the "first-filed rule," or its exceptions, to the litigation pending between the parties.